

OFFICE OF PRIVATE AND VOLUNTARY COOPERATION (PVC) NEW DIRECTIONS

This paper outlines possible directions for future PVC programming. It is based on a comprehensive examination of: (1) global issues and foreign assistance requirements; (2) organizational and technical capacities of PVOs; and (3) operational strategies for PVC.

1. Historical Trends: Evolution of the PVO Community

In the process of assessing options for PVC's future programming, the Office examined the ways PVC's current strategy has accelerated the transformation of PVOs¹ into institutions with demonstrated capacity to design and implement technically sophisticated and effective programs.

It is now well recognized that PVOs enhance USAID's effectiveness by virtue of their:

- close proximity to beneficiaries and community organizations;
- ability to mobilize American public support for international development issues and to generate private resources for these purposes; and
- representation of the basic American values of pluralism, voluntary action, and concern for others.

USAID has actively engaged PVOs in development activities, creating mechanisms and administrative procedures that facilitated a PVO-USAID partnership. As the following historical comparison shows, these programs helped to initiate a process that resulted in significant growth of the PVO community.

1970	2000
<ul style="list-style-type: none">▪ 82 PVOs were registered with USAID;▪ Only 18 of these PVOs had contracts or grants with USAID and 35 received subventions (P.L. 480, ocean freight, excess property);▪ PVOs were working primarily in humanitarian assistance;▪ PVOs raised less than \$400 million in private resources for their overseas activities.	<ul style="list-style-type: none">▪ 441 PVOs are registered with USAID;▪ 195 of these PVOs have contracts or grants with USAID and 72 have subventions (P.L. 480 and ocean freight);▪ PVOs are working in both relief and development programs;▪ PVOs raise over \$9 billion in private resources to support their international activities.

¹PVOs refer to U.S. private voluntary organizations. NGOs mean non-governmental organizations in developing countries. For the purposes of this paper only, PVOs will also include Cooperative Development Organizations (CDOs).

2. Past Performance in PVO Programming

PVC grants have permitted PVOs to conduct organizational assessments, develop strategic plans, and hire specialized staff. These grants have been instrumental in building the management and technical systems that allowed PVOs to become major development partners in a number of key areas critical to USAID interests. PVC programs have been successful in: (1) accelerating organizational change; (2) developing and testing new program models; (3) building strategic partnerships; (4) engaging in policy dialogue; and (5) leveraging resources.

Accelerating Organizational Change

The strongest evidence of PVC's success is the emergence of a cadre of high performance PVOs, or program units within PVO organizations, which are the leading edge of innovative and quality programming in the PVO community. In essence these PVOs have become, or are on the cusp of becoming, "learning organizations" for the entire private sector development community. Lead PVOs have now substituted strategic planning for piecemeal programming; PVC funding and guidance facilitated this restructuring process. Frequently, this organizational change has resulted in a move from relief and rehabilitation to broad-based development.

PVC's Matching Grants in the microfinance sector illustrate this evolution. In 1987, microfinance Matching Grantees combined reached fewer than 50,000 clients. Today, they are reaching approximately two million clients worldwide. Much of this growth can be attributed to a series of strategic grants to PVOs that have taken their programs to scale and built quality and performance into their operations. These "leading edge" PVOs now set the standard for the industry. They are consolidating best practices and are in position to test a new generation of approaches in microfinance development.

Developing and Testing New Program Models

PVC grants provided a mechanism for PVOs to test new program models, many of which have been widely replicated by national governments, private businesses and other PVOs. An excellent example is PVC grants to Save the Children. These grants enabled Save the Children to develop and test new approaches, such as "positive deviance", that identified how poor families manage to raise healthy children under conditions of high child mortality. The approach has now been standardized in child survival practice. A key element in the success of this strategy has been the use of performance data to provide the foundation for policy dialogue and scale-up of programs.

The Matching Grant Program is renowned for its support for innovation and learning. Catholic Relief Services (CRS) has created an innovative socially conscious mutual fund to generate a regular stream of income for CRS microfinance programs and, to maintain quality, has developed a certification process for its local organizations. Freedom from Hunger, in order to increase household resources, introduced microfinance to its health interventions. This credit with education approach has been replicated by several PVOs and has been taken to scale through a partnership with the World Council of Credit Unions.

Building Strategic Partnerships

The new program models developed, tested, and replicated by PVC-supported PVOs demonstrate the impact of strategic partnerships on increasing coverage of PVO programs. The success of these initial programs changed the way PVOs conceptualized service delivery and resulted in PVOs' actively pursuing alliances with industry and commercial organizations as a means of building scale into their programs and sharing some of the costs. The following are examples of health sector corporate partnerships:

- In Uganda, Land O' Lakes, an agricultural cooperative, forged a partnership with a private sector health organization to provide prepaid health care services to its clients through a specially created health cooperative.
- Similarly in Malawi, Project HOPE, working with commercial tea plantations to implement an employee-based preventive health program, was able to attract Press Agriculture, the largest agriculture corporation in Malawi, as a private sector partner.

In addition to working with the business sector, PVC grants assist PVOs to build partnerships with the public sector at the district and municipal level. These partnerships are the basis for strengthening decentralization reform, an essential tool for promoting democracy. A review of PVO programs indicates that such activities were instrumental in increasing the effectiveness of decentralization policies by providing: technical know-how; resources for improving the planning capacity of district level administrative units; and new models for improving the quality and sustainability of local service delivery. By FY 2000, approximately 37 percent of new child survival programs was focused on building the capacity of district health systems.

Engaging in Policy Dialogue

Professionalization within the PVO community has translated into greater visibility and a larger policy role for PVOs in the international arena. Helen Keller International (HKI) staff, for example, serve on the steering committee for the United Nations intra-agency nutrition coordinating committee (ACC/SCN), chair the micronutrient working group for ACC/SCN, and serve on the World Health Organization (WHO) Expert Group on Vitamin A guidelines.

PVOs in general are becoming much more engaged in policy issues at both the national and international level. Many of the Farmer to Farmer and Cooperative Development Programs, particularly in Eastern Europe, have provided technical assistance to host country organizations in policy and regulatory issues critical to the democratization process and business development. PVC-funded sectoral networks are also actively involved in policy dialogue. Both the child survival network, CORE, and the microenterprise network, SEEP, also provide a platform to amplify the voice of PVOs in international policy discussions.

Leveraging Resources

PVC's emphasis on sustainable service delivery, coupled with targeted technical assistance, assists PVOs to diversify their resource base, develop business plans, and

build corporate partnerships to help sustain the benefits funded under a grant program. As a result, grantees focused more on leveraging private resources and have succeeded in raising millions of dollars from corporations and foundations as well as private donors. Over several grants, CARE leveraged \$45 million dollars from corporations, Missions, other donors and foundations while Winrock generated \$20 million. Save the Children built a strong reputation for innovation and impact in child survival programming that led to \$50 million in funding from the Gates foundation.

PVC grants have also provided an opportunity for the PVOs to demonstrate their ability to achieve and document the impact of their programs on the lives of their beneficiaries. PVOs have very effectively used this information to build public awareness and to leverage additional resources from foundations, donors and the business community.

3. PVC's Comparative Advantage

PVC's current strategic objective is to increase the capability of its PVO partners to achieve sustainable service delivery. As it begins the development of a new strategy, PVC has several areas of comparative advantage within USAID that facilitate broadening and deepening its mandate:

- PVC strengthens the capacity of PVOs to be effective development partners.
- PVC, through its PVO partners, builds local organizations that contribute to social and economic development while strengthening civil society.
- PVC supports innovative approaches, project incubators, and learning laboratories.
- PVC works with a broad cross section of the PVO community in a unique relationship based on trust, mutual learning, and shared resources.
- PVC promotes partnerships among PVOs, NGOs, other local institutions, corporations and foundations.

4. Future Programming Directions

PVC has identified six future programming priorities based on the Office's comparative advantage within USAID, an assessment of past grant performance, and an analysis of current trends. The specific components of these programs will be designed as part of PVC's strategy exercise, to be completed by the end of the calendar year.

- Strengthening NGO capacity;
- Enhancing advocacy expertise of PVO/NGOs through networks and coalitions;
- Leveraging private sector resources through partnerships with corporations and foundations;
- HIV/AIDS;
- Building institutional capacity to fill the relief/development gap; and
- Increasing PVO partners and clients' access to information through new technologies.

Strengthening NGO Capacity

Democratization in many countries during the last decade and the restructuring of economic policies have changed the role of central governments and opened up political space for the growth of civil society. NGOs are burgeoning around the world and play a strategically important role in the struggle to find ways to respond to human needs in increasingly market-driven economies. National civil society organizations are taking a larger role to ensure citizen participation in democratic governance, to deliver public services, and to shape development policy.

Civil society organizations also play a key role as governments decentralize many of their remaining services and resources to districts or communities. In many instances, local groups lack the experience in planning and resource allocation needed to ensure that people's needs are met. PVOs/NGOs, because of their on-the-ground presence and experience at the local level, are in a position to help with the needs identification, program design, and capacity building in communities so that local governments can better carry out new responsibilities in a sustainable manner.

In this context, the role of PVOs is evolving from direct service provider to facilitator of local civil society organizations and multi-sector alliances to solve local problems and deliver services. It is expected that this trend will continue with local civil society taking greater responsibility for community and national development over time, and different relationships (alliances and partnerships) forming between PVOs and NGOs. Continued assistance is needed to assist PVOs and their counterparts to meet current and future capacity building challenges. PVC's programs now require, as a condition of grant eligibility, formal partnerships with either NGOs or local governments. This requirement will continue, with added emphasis on identification of methods for developing successful partnerships that can be replicated. PVC will also continue to support existing networks and explore possibilities for including local organizations in those networks.

PVC is undertaking a new capacity building initiative, Capable Partners (CAP), that expands PVC's role as a center for expertise in capacity building to support USAID Missions, their local partners, and PVO clients. This expansion grows out of PVC's experience and accomplishments in building the capacity of non-profit organizations across various sectors. CAP will compile lessons learned about capacity building into useful products and disseminate these tools and techniques to USAID Missions and PVOs through a website and direct technical assistance. PVC anticipates that these activities will result in more partnerships among NGOs, PVOs and Missions and greater sustainability of local partners.

Enhancing Advocacy Expertise of PVO/NGOs through Networks and Coalitions

As part of the democratization process, advocacy plays a critical role in planning change. PVOs/NGOs are often important facilitators of local empowerment, thereby further supporting the decentralization process. They play a key role as watchdogs for transparency and accountability, which is essential for building a more open society. This community is a force that urges governments and international agencies to do more to meet the needs of the poor and marginalized groups throughout the world. Both PVOs

and NGOs are effective advocates in sectors, such as the environment, health, education, the rule of law, and human rights. They are building linkages with each other and with international NGOs through networks, such as the International Forum on Capacity Building (IFCB). Despite some political sensitivity, many governments welcome assistance from PVOs/NGOs in analyzing policy alternatives and improving policy choices.

Both PVOs and NGOs are concerned with the scale, quality, and impact of their programs. There is a growing realization in the development community that a critical component of scaling up is influencing government policies. Sectoral level interventions, such as advocacy and coalition building, are increasingly recognized as strategies to expand impact, leverage resources, and create sustainable systems. This new paradigm emphasizes policy innovation, shared learning, and a vibrant and diverse civil society.

PVO networks are an effective and inexpensive mechanism to activate new initiatives. They have the potential to bring about policy reform, improve the efficiency of service delivery, and increase program impact and coverage. PVC will examine ways to promote advocacy activities through existing PVO networks and to clone these networks more aggressively overseas. PVC will also exploit opportunities to create networks in other sectoral areas, such as the environment. Finally, the new CAP project will contribute to strengthening advocacy expertise, especially through its support of the IFCB, which places advocacy, networks, and coalition building as one of its highest priorities.

Leveraging Private Sector Resources through Partnerships with Corporations and Foundations

Private capital now accounts for about 80 percent of the net long-term flows to developing countries. In many places, business has expanded into service areas that were previously in the public sector, such as health and education. As governments are no longer solely responsible for public services, there is a growing necessity for synergy among governments, business, and civil society. In the face of globalization, more businesses are developing international market strategies that require local partnerships. The new social investment paradigm emphasizes the critical need to evolve a local identity, which anticipates and responds to grassroots sentiment, enters into new markets, and strengthens the human capacity resource base of the community. These incentives provide a springboard for PVOs and NGOs to leverage more development resources from multinational corporations and to collaborate in new ways. As resources from broader markets make their way into developing countries, PVOs and NGOs play a key role in influencing the distribution of those resources.

International giving by U.S. foundations has soared to an estimated \$1.6 billion in 1998 — a gain of \$639 million since 1994. This represents a 43 percent increase in real terms. Foundation funding priorities have shifted during the past decade, with increased funding for development activities, such as health and family planning, education, human rights, and conflict resolution. Many small family foundations are interested in contributing to international activities but have little knowledge about how to proceed. Of particular interest is the growth of technology-based foundations, often headed by young, socially

conscious CEOs who want to use some of their profits to make strategic social investments, often in developing countries. These developments expand the opportunity for creative partnerships with foundations to leverage this funding with other sources.

PVC has already taken leadership in working with its partners to achieve a level of sustainability by diversifying their funding base. The Matching Grant Program is the preeminent vehicle for promoting new sources of support. The Millennium Alliance for Social Investment assists PVOs in forging linkages with commercial businesses to increase their financial sustainability and organizational skills. PVC also funded the Sustainable Development Services Program, which worked with PVO grantees to develop sustainability plans and improve their business skills, including cost recovery and diversification of sources of income. In addition, the Matching Grant RFA requires business plans from its applicants and asks that they include plans for financial sustainability in their proposals.

PVC intends to develop a new activity to help broker partnership development between PVOs, NGOs, and foundations. It has an opportunity to lower some barriers to international grantmaking experienced by U.S. foundations by using its extensive network to link the two communities for overseas work. Specific outreach activities would include: facilitating joint in-country program design; helping foundations to establish ties with local organizations; and providing monitoring and evaluation assistance. This new approach would increase private foundation investments for PVO/NGO programs that are in support of Mission and PVC strategic objectives.

HIV/AIDS

HIV/AIDS has already infected from 30-50 million people, half of whom reside in Africa. Ninety percent of infections occur in developing countries and nearly half of those infected are women. In some countries, over five percent of women in maternity clinics are infected. Life expectancy in some countries has decreased by more than ten years and up to 22 years in Zimbabwe. The majority of those infected are in their economically productive adult years (e.g., 36 percent of the adult population in Botswana), which means that family livelihoods and national economies are threatened.

HIV/AIDS is not entirely an adult disease. Children are frequently infected by their mothers, either through birth or nursing. AIDS mortality is reversing the hard-won infant mortality reductions of the 1980s and early 1990s. Over 30 percent of infants born to HIV-infected mothers in sub-Saharan Africa will be HIV positive. For that reason, child mortality rates are increasing, as children who are infected survive their first birthday only to die before their fifth. Because their parents died of AIDs, large numbers of children are orphaned, placing childcare demands on relatives or on public services.

Based on past experience, the Child Survival Grants Program receives approximately 50 applications per year, half of them in Africa, and increasingly the applications include an HIV/AIDS component. Both the Matching Grants and Child Survival Grants Programs emphasized HIV/AIDS in their FY 2001 requests for assistance (RFAs). Priority will be given to those competitive applications that have HIV/AIDS components affecting

children in either the “rapid response” or priority countries. The Office is developing a more comprehensive approach to increase the capacity of PVOs to implement HIV/AIDS activities and to strengthen community capacity to address the needs of vulnerable children. If additional resources are available, PVC will encourage multisectoral approaches to HIV/AIDS in collaboration with our current grantees.

PVC would like to expand opportunities for Missions to invest in existing Child Survival and Matching Grants Programs. For example, in South Africa, the Mission added \$700,000 to two existing PVC grants to expand the AIDS component. This would be a “quick disbursing mechanism” for Missions that receive HIV/AIDS funding and have existing PVC-funded projects in their countries. PVOs are implementing Child Survival Programs in all the rapid scale-up countries, eight of the high prevalence intensive focus countries, three non-presence countries in the West Africa subregion, and one low-prevalence intensive focus country, India.

Building Institutional Capacity to Fill the Relief/Development Gap

In the last two decades, over half of the world’s poorest countries experienced conflict. In over 30 of these countries, at least 10 percent of their people were dislocated; in at least 10 countries, over 40 percent of the population were uprooted. Often, conflicts persist for years, with devastating consequences. Over 20 million people are displaced, at least half of them in Africa. Estimates are that almost 15 million are refugees. Entire generations grow up in the shadow of war.

As civil strife increases, the development community’s ability to address related problems decrease. Both conflict and disaster disrupt communities and destroy infrastructure, markets, social services and agriculture, while raising demand for those very things. Added demands divert development assistance and corrode the development investments already made. In the face of a dwindling ODA, the diversion of assistance resources to conflict and disaster response is an overwhelming burden.

In responding to political conflict and natural disaster, PVOs and their NGO partners are faced repeatedly with situations that demand a redirection in programs and require staff to work in situations for which they have neither adequate resources nor training. A 1999 survey of PVC grants showed that 47 percent of PVOs and 27 percent of their NGO partners had projects in the area of emergency relief, food aid, or refugee relief/resettlement. There is a clear need to coordinate more effectively relief and development programming.

PVC has responded to these issues in a number of ways. It has incorporated protection and security issues into this year’s Child Survival RFA and detailed implementation plans (DIPS). PVOs are now required to develop plans for their staff’s safety in times of disaster and to include a “crisis modifier” in their DIP to show how grant funds would be programmed if a crisis occurs. In addition, PVC has reviewed its portfolio to identify PVC-funded programs that have the potential to contribute to disaster mitigation and transition efforts. For example, the Microenterprise Development (MED) Program has established post-disaster credit programs in Bangladesh, Mozambique and Rwanda with

Matching Grants and is building MED capacity using existing methods applied in non-stable environments. And Christian Children's Fund Child Survival Project in Angola is studying the psychosocial aspects of post conflict in response to observations that many parents seem unable to adequately parent their children due to stress.

PVC's grants to strengthen the organizational and technical capacity of its PVO/NGO partners has had a "spillover" effect on disaster prevention and mitigation efforts. Sixty percent of PVOs and 48 percent of their NGO partners reported that their ability to deliver aid in crisis situations is improved as a result of PVC programs. In coordination with other BHR programs, PVC will expand its capacity building efforts to PVOs working in selected transition countries. These efforts will help to fill the gap between disaster and relief interventions by: enabling development PVOs to respond more effectively in crisis situations; assisting PVOs managing relief programs to think more proactively about longer term issues; and strengthening the institutional linkages between disaster and conflict interventions and development programming.

Increasing PVO Partners and Clients' Access to Information through New Technologies

Information technology that shrinks distance and time makes this era of globalization different from the past. Advances in computer and telephone technology make human communication across the globe an instant reality through the Internet, mobile phones and satellite networks. The impact of these innovations on knowledge and information can enhance development by enabling empowerment and raising productivity. But the impact can also mean further marginalization of some groups. The danger is that global communication is creating a "digital divide" between those who can access and use important information at low cost and high speed and those without connections.

As with other benefits of globalization, the benefits of information technology are not equally available in all places or to all persons. One constraint to connectivity is lack of sufficient income to buy access. Only five percent of computers with internet access are in the developing world. An average Bangladeshi would spend more than eight years' income to purchase a computer compared to one month's wages for the average American. Education is another factor — 30 percent of global Internet users have at least one university degree. As with other technologies, a gender gap is evident in access to and use of information technology. This is especially true in developing countries, where literacy is still a problem. Advanced information technology is also predominately a youth technology, especially the Internet. For example, in the U.S. the average age of users is 36. English as the dominant medium in Internet communication and instruction severely limits use in a world where less than one in 10 people speak that language.

Through existing PVC Grants, U.S. PVOs are building their capacity to take full advantage of information technology. They are helping to strengthen the capabilities of their NGO partners to access and use emerging media communication to meet their own needs. Most PVOs are in contact with their NGO partners through e-mail and use this mechanism to share information and impart capacity building. Existing networks — SEEP, CORE and the Millennium Alliance — heavily rely on e-mail and Internet

communication. While this process needs improved documentation, the impact of PVO programs in building information technology capacity with local partners is probably underestimated.

PVC will expand these initiatives so that PVOs take greater advantage of the benefits of globalization and that these technologies reach not only PVO partners but also their clients. PVC is already encouraging partners to take a lead in extending information technology through existing programs and will be looking to increase the scope of these efforts. In addition, the Office will explore opportunities to collaborate with the Agency's Internet for Economic Development Initiative.

5. Resource Requirements

Budget

While some of what is proposed can be introduced incrementally into PVC's existing grant mechanisms, additional funding will be required to carry out any substantial modification in current grant programs. More funding will also be necessary for pilot activities or new RFAs. As the proposed activities are dependent on flexible budgets and approaches, attention will also need to be paid to how these resources are earmarked.

New Procurement Mechanisms

PVC's extensive grant management expertise and flexible grant mechanisms lend themselves to new ways of doing business. The aim is to increase opportunities for Missions and other operating units to take advantage of the multisector activities carried out by PVOs under PVC's grant programs. There are currently two procurement mechanisms that hold promise for doing this: 1) more flexible and efficient buy-in options for existing cooperative agreements; and 2) the new "leader with associates" model which would enable PVO expertise to be readily accessible to USAID Missions through special "associate" provisions. PVC is working with the Office of Procurement to develop these approaches further.

Staff for Outreach

PVC's ability to move forward on its future priorities depends on more than grant mechanisms. Because of PVC's experience in working with its PVO partners, the Office is well positioned for wider outreach to the development community. PVC/PVO linkages for sharing are already in place and can be readily expanded to include corporations, foundations and other donors. PVC has recently invested significant time in sharing information with the Japanese Government and the European Commission about the evolution, approach, and impact of the U.S. PVO program and expects to continue this exchange with these and other donors. Equally important is an ongoing dialogue with PVOs on technical and policy issues through not only the Advisory Committee on Voluntary Foreign Aid but also with LPA, Global and PPC to develop an ongoing dialogue of its own with the larger PVO world.

In order for this outreach to occur in more than an ad hoc manner, PVC will need to expand its direct hire or program-funded staff. Some economies of scale can be achieved

through streamlining the grant management process and expanding the functions of the Advisory Committee Secretariat, but these actions alone will not be sufficient to develop a strategic approach to creating intersectoral partnerships. PVC has the opportunity to take the lead in this area for the Agency as a whole while working in close consultation with other Offices within USAID and BHR.

6. Next Steps

With the solid foundation of its past achievements, the Office is poised to respond to emerging challenges and develop exciting new relationships with its PVO/NGO partners, corporations, foundations and other donors. Over the next year and assuming that adequate additional resources are available, PVC will move ahead with the following actions in furtherance of the new directions proposed in this paper:

- ***Carry out broader consultations:*** PVC has already started the consultation process with PVOs and the Advisory Committee on Voluntary Foreign Aid. The Office plans to continue and broaden this process in preparation for our strategy to include NGOs and members of the IFCB. The IFCB global meeting in May will provide a perfect opportunity for an expanded dialogue. Within USAID, PVC has been meeting periodically with other BHR Offices and the Office of Procurement and plans to continue these discussions as well as to consult more widely within USAID.
- ***Develop new PVC strategy:*** The new directions proposed in this paper will be the basis for PVC's strategy development. These components need to be refined and prioritized, specific activities identified, and staff and resources redeployed.
- ***Draft RFAs for new FY2002 activities:*** In addition to integrating aspects of the new directions into PVC's regular RFA process, new activities must be designed and competed. A few programs may be initiated on a pilot basis, and others may require analytic work before actual implementation.
- ***Streamline grant management process:*** Grant management consumes an enormous amount of time and energy of PVC staff. By streamlining this process, it is expected to free up some staff resources for other critical functions, such as outreach.
- ***Design new procurement mechanisms:*** The concepts behind these proposed new mechanisms — increasing the scope and efficiency of how the Agency as a whole relates to PVOs — have already been accepted. Scopes of work still need to be developed and tested through pilot programs.
- ***Expand strategic outreach approach:*** PVC will be developing a strategic approach to its outreach activities that is results-oriented, within its manageable interest, and maximizes its comparative advantage vis-à-vis the PVO community.
- ***Design office-wide Performance Monitoring Plan:*** Monitoring of programs in PVC is currently managed by individual programs with little cross-fertilization of results. As part of the new strategy process, a monitoring system will be developed that cuts across programs and advances Office-wide analysis of information.